



May 2, 2016

Robert W. Errett
Deputy Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Notice of Filing of Amendment No. 2 and Designation of a Longer Period for Commission Action on Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Amend FINRA Rule 4210 (Margin Requirements) to Establish Margin Requirements for the TBA Market, as Modified by Amendments Nos. 1 and 2 (File No. SR-FINRA-2015-036; Release No. 34-77579)

Dear Mr. Errett:

The Mortgage Bankers Association¹ (MBA) is writing to respond to the Securities and Exchange Commission's request for comment on the Financial Industry Regulatory Authority's (FINRA) proposed rule change to amend FINRA Rule 4210 to establish margin requirements for the TBA market.² Our comments focus on changes to the proposed rule change made by proposed Amendment No. 2 impacting the multifamily real estate finance sector and mortgage backed securities (MBS) market.³

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

² Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Amendment No. 2 and Designation of a Longer Period for Commission Action on Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Amend FINRA Rule 4210 (Margin Requirements) to Establish Margin Requirements for the TBA Market, as Modified by Amendments Nos. 1 and 2, 81 Fed. Reg. 81 (April 15, 2016) (Proposal).

³ Multifamily housing generally refers to rental housing properties with five or more dwelling units. This includes, but is not limited to, rental apartments, affordable rental housing, seniors housing and residential healthcare properties (assisted living, skilled nursing, senior living communities, and other facilities), as well as manufactured housing communities and student housing.

As discussed further below, MBA strongly supports the changes incorporated in Amendment No. 2 that impact the multifamily securitization market and that incorporate previous MBA recommendations to ensure that the multifamily securitization market is not negatively impacted by the proposed rule change. MBA appreciates FINRA's thoughtful and analytical review of multifamily agency securitizations and highlights the Proposal's reference to the longevity and strong market performance of multifamily agency securitizations.⁴

Requirements for Exception for Multifamily and Project Loan Securities

MBA strongly supports the exception for multifamily housing securities from the mandatory margin requirements proposed under FINRA Rule 4210.⁵ Proposed Amendment No. 2 further revises the language of the Proposal to read that a FINRA member "is not required to apply the margin requirements" to multifamily securities.⁶ MBA supports the proposed revision, as it would clarify the intent of the rule, reduce confusion among market participants, and avoid unintended consequences.

Scope of Exception from Covered Securities – References to Multifamily Agency Securitizations

The proposed exception provides that a FINRA member is not required to apply the margin requirements to "Covered Agency Transactions" with a counterparty in multifamily housing securities or project loan program securities, and provides the types of securities that would fall under the exception.

MBA generally supports the proposed revision in Amendment No. 2 to the scope of the exception that adds the phrase ", or are such other multifamily housing securities or project loan program securities with substantially similar characteristics, issued in conformity with a program of an Agency or a Government-Sponsored Enterprise, as FINRA may designate by Regulatory Notice or similar communication."⁷

To the extent that particular transactions are substantially similar to those described in the proposed revision, we question whether FINRA would need to provide notice or

⁴ For a full discussion of MBA's views on the changes to proposed FINRA Rule 4210 and a detailed overview of the multifamily finance agency market and forward settling multifamily agency securities, see our previous comments. MBA Letters to the SEC (dated Jan. 21, 2016 and Nov. 10, 2015). For MBA's comments on FINRA's proposed Partial Amendment No. 1, see MBA Letter to the SEC (Feb. 11, 2016). This letter does not address whether the SEC should approve or disapprove SR-FINRA-036 as a whole, nor the impacts of the proposed rule change on the single-family mortgage market.

⁵ Specifically, Partial Amendment No. 1 added new paragraph (e)(2)(H)(ii)a.2 to FINRA Rule 4210 to provide that a member may elect not to apply the margin requirements of paragraph (e)(2)(H) of the rule with respect to Covered Agency Transactions with a counterparty in multifamily housing securities or project loan program securities, subject to certain provisions.

⁶ See 81 Fed. Reg. at 22352 and reflected in Proposed FINRA Rule 4210(e)(2)(H)(ii)a.2.

⁷ See 81 Fed. Reg. at 22352 and reflected in Proposed FINRA Rule 4210(e)(2)(H)(ii)a.2.A.

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communication. We believe that this proposed revision is nonetheless very helpful -- in addition to the transactions/securities that are categorically exempt from mandatory margining, the proposed revision would help ensure that other transaction types that may not technically fit within the previously identified categories but that are substantially similar in nature will not inadvertently fall outside of the exception. In implementing this provision, we urge that FINRA communications, if necessary, be provided efficiently and expeditiously in order to provide clarity to the market and market participants.

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We offer our assistance to the SEC and FINRA as consideration of the Proposal continues. If you have any questions regarding the comments above, please contact me or Thomas Kim, MBA Senior Vice President, at [REDACTED]).

Sincerely,



David H. Stevens
President and Chief Executive Officer
Mortgage Bankers Association

cc: The Honorable Mary Jo White, Chair
The Honorable Kara M. Stein, Commissioner
The Honorable Michael S. Piwowar, Commissioner

Stephen Luparello, Director, Division of Trading and Markets
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